

Department of Public Health  
and Human Services

Section:  
ELIGIBILITY & BENEFIT  
DETERMINATION

TANF CASH ASSISTANCE

Subject:  
Prospective Budgeting

**Supersedes:** FAIM 601-1 (02/01/00)

**References:** ARM 37.78.102, .402 and .420

**GENERAL RULE**– Financial eligibility and benefit amount for the current and future months must be established using prospective budgeting. The best estimate of income, resources, household composition and other circumstances (including all nonfinancial requirements) which will occur during the benefit month is used to budget prospectively.

**NOTE:** All prospective budgeting methods can be used with **earned** or **unearned** income.

## ≥GATHERING INFORMATION

Various sources are used to collect information about the household's circumstances to determine prospective eligibility and budgeting. Some sources used to collect information are (list not inclusive):

1. The application or redetermination form and reported changes;

**NOTE:** The household must not be required to complete redetermination forms or change report forms.

2. Information submitted by the household, collateral contacts, system interfaces, etc.; and,
3. The face-to-face interview, at application and redetermination;

**NOTE:** Eligibility Case Managers should use investigative interviewing skills such as asking if the situation is expected to continue and looking for a pattern of overtime pay.

≥ Budgets must be reevaluated upon receipt of more complete information up to the release of benefit payment. Timely notice policy must be followed (See 1503-1).

If changes are anticipated, alerts must be set on the ETAL screen as reminders to check for changes and follow up at the appropriate time.

Information provided by the applicant/participant must be verified with corroborative documents and/or statements from third parties (i.e.,

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employers, landlords, relatives, etc.). The worker must offer to assist in gathering necessary verification.

The budgeting method selected to prospect household income will depend on many factors including the income source, how often paid, and household circumstances.

**NOTE:** TANF cash and FMA expenses can be anticipated, factored or averaged. SSI-Medicaid expenses (child support or work expenses of the blind) can never be factored, so must be anticipated or averaged.

**INCOME NOT  
COUNTED**

There will be instances when income is not counted prospectively.

**EXAMPLE:** A household has no earned income. The household timely reports on July 2, using a change report form, that on July 5 a household member will start a job and the first paycheck will be received on July 20. The job will end on August 5, and the last paycheck will be received on August 20.

In this example, July's earned income will never be counted. The household reported the income correctly. July's income could not be reasonably prospected, and therefore was not considered. August benefits are determined based on prospecting August's income as a result of the information provided in the change report.

**ACTUAL INCOME**

Actual income can only be used when:

1. Computing an overpayment;
2. Determining retroactive Medicaid eligibility; or
3. Income is for the month of application and the individual is either:
  - a. **NOT** paid on a weekly or biweekly basis; or

**NOTE:** If all biweekly or weekly pay stubs are provided in the month of application, income must be factored even when they did not receive an extra pay check.

- b. paid on a weekly or biweekly basis and did not get paid for the normal work schedule for any pay period (e.g., new employment, unpaid sick leave, unpaid vacation, etc.).

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**≥ANNUALIZING  
INCOME**

Annualizing is used for contractual or self-employment income. Divide a self employment amount by the number of months the income is intended to cover and divide the contractual amount by the number of months in the contract.

**NOTE:** Do not use annualizing if significant income changes are expected in any months during the review period. Instead use the anticipating income method.

**EXAMPLE:** Helen has a craft business that she operates out of her home. Her books indicate that she receives some income every month. She has no other source of income (earned or unearned). She indicates the income from this business is intended to support her year round.

Add all Helen's income from this business (minus allowable expenses) and divide it by 12 months to arrive at the countable monthly income.

Jan.	\$ 300.00	July	\$ 500.00
Feb.	\$ 275.00	Aug.	\$ 400.00
Mar.	\$ 350.00	Sept.	\$ 350.00
Apr.	\$ 550.00	Oct.	\$ 450.00
May	\$ 600.00	Nov.	\$ 950.00
June	\$ 550.00	Dec.	<u>\$1100.00</u>
		Total:	\$6375.00

$$\$6375 \div 12 = \$531.25/\text{month}$$

**ANTICIPATING  
INCOME**

Anticipating is used when no other method is allowed or appropriate.

Use this method when:

1. A full month's income is not expected because the individual will not be working or getting paid for the normal work schedule for at least one pay period during the month (e.g., new employment, unpaid sick leave or unpaid vacation).
2. Income is from a terminated source (e.g., lay-off or other job termination).
3. Income history is not reliable.
4. **A significant income change is expected** in the future (e.g., promotion, part-time to full-time or vice versa, an additional job, transfer, etc.).

**AVERAGING  
INCOME**

Income averaging is used when there is a **reliable income history**. Be sure to ask the applicant/participant if the average is **expected to continue**. When averaging, look for patterns of overtime.

Do not average income when significant income changes are expected in the prospective period. Instead, use the anticipating income method; counting days in pay period, etc.

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**NOTE:** Averaging is often used in conjunction with other budgeting methods. For example, when an individual is paid weekly or biweekly, the reliable income history is averaged then factored.

When requesting check stubs for averaging, be sure to request all check stubs received through the date verification is provided to the OPA. Avoid asking for just the three previous months' check stubs; instead, request check stubs from a specific date to present.

1. The Eligibility Case Manager and the participant must agree on:

- a. a representative period of time;
- b. the number of paychecks; **and**
- c. the pay dates.

**NOTE:** Paychecks which are agreed on as unusually high or low should be disregarded unless the trend is anticipated to continue into the prospective period.

2. Divide the total income received during the representative period by the number of pay dates in the period to determine an average amount per pay date.

3. If income is received:

- a. **Monthly** or **semi-monthly**, multiply the average pay date amount by the number of pay dates in a month to arrive at the average monthly income.
- b. **Weekly** or **biweekly**, factor the income to arrive at the prospected monthly income.

**NOTE:** Do not factor income for SSI-related Medicaid cases.

**FACTORING  
INCOME**

All programs **except SSI-related Medicaid** require factoring of income received weekly or biweekly (every two weeks). If there is a reliable history of income and it is expected to continue, average and then factor.

**NOTE:** Child support income and legally-obligated child support payments, deductions can only be factored if truly received/paid on a weekly or biweekly basis.

If weekly or biweekly pay checks are provided for month of application, the checks must be averaged and factored even if the applicant did not receive a 3<sup>rd</sup> or 5<sup>th</sup> check in the month of application.

1. To factor **weekly** income, the weekly income amount (actual or average) will be multiplied by **4.3** to determine a monthly amount; or
2. To factor **biweekly** income, the biweekly income amount will be multiplied by **2.15** to determine a monthly amount.

**EXAMPLE 1:** Ginny works 40 hours per week at \$6.50 per hour and is paid **weekly**. Ginny's monthly income is determined using  $40 \text{ hrs} \times \$6.50 = \$260 \times 4.3$ ; \$1,118 is her monthly factored income.

**EXAMPLE 2:** Grace works full time and earns \$7.00 per hour. She is paid **biweekly** (every other Wednesday). She receives \$560 gross income in each paycheck. Grace's monthly income is determined using  $\$560 \times 2.15$ ; \$1,204 is her monthly factored income.

**≥FACTORING  
NOT USED**

Weekly or biweekly income is not factored when the participant will not work or be paid for the normal scheduled hours in any pay period (i.e., verification is provided that a participant will not be paid for hours normally worked such as unpaid sick leave or unpaid vacation, etc). In this situation, the anticipating budgeting method of counting actual days should be used to determine the best estimate.

**NOTE:** **TEAMS case notes** must clearly document why weekly or biweekly income was not factored and details of how income was anticipated.

**FACTORING  
COMBINATION  
CASES**

Combination cases with SSI-related Medicaid and another program will require income to be entered differently for each program:

1. Anticipated, not factored, income for SSI-related Medicaid is entered on TEAMS using 'OM' income type code on the UNIN or EAIN screen.
2. Factored income for FMA and TANF cash assistance is entered as 'OA' on either the UNIN or EAIN screen; and
3. Factored income for Food Stamps is entered as 'OF' on either the UNIN or EAIN screen.

**THIRTEEN WEEK  
CALCULATION**

The thirteen week calculation is based on the fact that every three month period contains thirteen weeks. The thirteen week method is used to prospect income when:

- a. paid monthly or semi-monthly;

**NOTE:** Semi-monthly means the paycheck is received twice a month with set pay dates, (e.g., 1<sup>st</sup> and 15<sup>th</sup>).

- b. the participant will be paid for a full month of employment;
- c. there is not a reliable income history to average; **and**,
- d. the income is expected to continue for at least three months.

**EXAMPLE 1:** On February 2, an employer statement was received which indicates an individual's work hours will increase to 40 hours per week. The wage will continue at \$5.85 per hour and pay dates will continue to be semi-monthly on the 1<sup>st</sup> and 15<sup>th</sup>.

$40 \times \$5.85 = \$234/\text{wk} \times 13 \text{ wks} = \$3,042 \div 3 \text{ months}$   
 $= \$1,014 \text{ per month. } \$1,014 \text{ would be used as the best estimate of monthly income.}$

**THIRTEEN WEEK  
CALCULATION  
NOT USED**

The thirteen week calculation cannot be used for monthly or semi-monthly income when:

1. the participant will not work or be paid for the normal scheduled hours in any pay period (i.e., verification is provided that a participant will not be paid for hours normally worked such as unpaid sick leave due to scheduled surgery or unpaid vacation, etc).
2. employment is not expected to last a full quarter (thirteen weeks);

3. the participant is paid a salary and monthly income does not fluctuate; or
- ≥ 4. the employer verification form states expected hours per pay period rather than hours per week.

**The anticipating income method should be used.**

**EXAMPLE 1:** The application was received November 9. New employment started November 2. Pay dates are the 5<sup>th</sup> and 20<sup>th</sup> with pay periods ending the 31<sup>st</sup> and 15<sup>th</sup> each month. The participant earns \$5.95 per hour, averages 40 hours per week, is off on Fridays and Saturdays, and is paid for holidays. Income received in November is expected to be for ten 8 hour days (10 days × 8 hours = 80 hours × \$5.95 = \$476 for November).

December, January and February income can be determined using the thirteen week method because full monthly income is expected to be received each month.

**EXAMPLE 2:** On August 10, Dolores provides an employer statement indicating she started working August 8 and is paid twice a month on the 15<sup>th</sup> and the 30<sup>th</sup> for salaried employment (i.e., gross pay per pay period is \$350). September benefits are determined based on  $\$350 \times 2 = \$700$  per month.

**TEAMS CASE NOTES** TEAMS case notes must clearly document the:

1. household circumstances
2. type of income (e.g., wages, contractual, self-employment, etc.);
3. budgeting method chosen; and
4. process used to determine the dollar amount.
  - a. What the agreed upon representative period of time was;
  - b. What information was used to calculate the average pay amount (gross pay received pay date #1 + gross pay

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received pay date #2, etc. divided by the number of pay dates used); and

**NOTE:** If certain paychecks were excluded in the averaging process, TEAMS case notes must clearly document justifications.

- c. How the amount was determined (e.g., wage stubs, an employer statement, tax return, business logs, etc.).

### ADDITIONAL EXAMPLES:

#### AVERAGING SEMI-MONTHLY INCOME

Joe has been working for the same employer for two years. His hours fluctuate from week-to-week. According to Joe, he always works at least 20 hours and never more than 35 hours per week. Joe gets a paycheck on the 1<sup>st</sup> and the 15<sup>th</sup> of each month. He is paid \$6.50 per hour. Joe is able to provide pay stubs for the last two months (February and March). He states that he expects the next three months (April, May, and June) will be very similar to the past two months in terms of the number of hours he will work.

Using the four pay stubs provided, average to arrive at an amount per pay period to use. Joe has agreed the paychecks are a best estimate for the prospective period.

Feb. 1 <sup>st</sup> pay stub	49 hours	\$ 318.50
Feb. 15 <sup>th</sup> pay stub	42 hours	\$ 273.00
Mar. 1 <sup>st</sup> pay stub	47 hours	\$ 305.50
Mar. 15 <sup>th</sup> pay stub	<u>55 hours</u>	<u>\$ 357.50</u>
	193 hours	\$1254.50

$\$1254.50 \div 4 = \$313.62$  -- the average amount per pay period.

Multiply the average amount per pay period by the number of pay periods in a month to arrive at the average monthly income.  
 $\$313.62 \times 2 = \$627.24$

#### THIRTEEN WEEK CALCULATION

If significant changes were expected in the previous example (such as Joe receiving a raise to \$6.75 and a change in hours), the anticipating method using the thirteen week calculation would provide the best estimate.

Joe provides an employer statement indicating he will work an average of 27 hrs/wk and that his raise to \$6.75 is effective March 16<sup>th</sup>. All hours on his April first check will be paid at the new hourly rate.



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$$27 \times \$6.75 = \$182.25 \times 13 = \$2369.25 \div 3 = \$789.75/\text{mo.}$$

**AVERAGING**

If the only expected change in the previous example was an increase in hourly wage, the best estimate would be to multiply the average hours by the new rate of pay.

$$193 \text{ hrs.} \div 2 \text{ mo.} = 96.5 \times \$6.75 = 651.38/\text{mo.}$$

(Prospected income is less in the averaging example than in the thirteen week calculation because averaged hours are less than the 27 used in the thirteen week calculation.)

**AVERAGING AND FACTORING**

In some situations a combination of methods is appropriate to arrive at the best estimate.

Sam has been working for the same employer for six months. He has fluctuating income and is paid every Friday. The Eligibility Case Manager and Sam have agreed to use the actual income amounts which were received for the six weeks prior to the interview to determine his average weekly income.

Week 1:	\$ 100
Week 2:	\$ 150
Week 3:	\$ 150
Week 4:	\$ 200
Week 5:	\$ 50
Week 6:	<u>\$ 200</u>
Total:	\$ 850

Average weekly income:  $\$850 \div 6 = \$141.67/\text{wk.}$

Factor the average weekly income  $\$141.67 \times 4.3 = \$609.18/\text{mo.}$

**NOTE:** The \$50.00 received the 5<sup>th</sup> week must be evaluated to determine if the trend is expected to continue. The check could be disregarded as an unusually low check if it is not expected to happen again in the prospective period. A TEAMS case note must clearly document the justification for either disregarding or including the check.

**COMBINATION CASE (FS, SSI MA, FMA AND TANF CASH)**

Esther has been working for the same employer for two years. She is an on-going client open to FS, and MA MD Medicaid. In addition, her children are open to MA PC on the same TEAMS case. At redetermination for all three programs, she provides her last 7 pay stubs (totaling \$1400.00) representing pay received in the last 3 months, and including her most recent pay date.

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Esther is paid biweekly, and indicates that she works a consistent number of hours each pay period. She does not anticipate a change in her hours or her pay rate. Her income for FS and FMA (MA PC) would be projected by averaging and factoring the provided check stubs ( $\$1400.00 \div 7 = \$200.00 \times 2.15 = \$430.00$ ), with the result entered twice on EAIN, once as 'OF' and again as 'OA'. Her income for SSI-MA (MA MD) would be projected by averaging the same pay stubs and multiplying the average by the number of scheduled pay dates in the benefit month ( $\$1400 \div 7 = \$200.00 \times 2 \text{ or } 3 \text{ pay dates} = \$400.00 \text{ or } \$600.00$ ) entered on EAIN as 'OM'. The Eligibility Case Manager would then determine which months in the eligibility period would be expected to include a 3<sup>rd</sup> biweekly pay date, and set an alert on ETAL for the month before each of those months in order to project the income for the 3<sup>rd</sup> pay date for the incurment.

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